

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
CLERK**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIMBLE COUNTY CLERK

**For The Year Ended
December 31, 2011**

The Auditor of Public Accounts has completed the Trimble County Clerk's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$8,317 from the prior year, resulting in excess fees of \$9,592 as of December 31, 2011. Revenues increased by \$97,513 from the prior year and expenditures increased by \$89,196.

Lease Obligations:

The Trimble County Clerk's office was committed to the following lease agreements as of December 31, 2011:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2011
Equipment/Software	\$ 3,406	60 Months	October 20, 2014	\$ 117,258

Report Comments:

2011-01 The County Clerk's Office Does Not Use Timesheets To Calculate Payroll
2011-02 Deputies Salaries Should Be Set Annually By Fiscal Court

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy K. Stevens, Trimble County Judge/Executive
The Honorable Jerry Powell, Trimble County Clerk
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Trimble County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2012 on our consideration of the Trimble County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Randy K. Stevens, Trimble County Judge/Executive
The Honorable Jerry Powell, Trimble County Clerk
Members of the Trimble County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

2011-01 The County Clerk's Office Does Not Use Timesheets To Calculate Payroll
2011-02 Deputies Salaries Should Be Set Annually By Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Trimble County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

May 11, 2012

TRIMBLE COUNTY
JERRY POWELL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

State Grants	\$	10,513	
State HB537 Special Revenue Supplement			61,283
State Fees For Services			3,637
Fiscal Court			10,347
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	248,228	
Usage Tax		363,838	
Tangible Personal Property Tax		637,439	
Other-			
Marriage Licenses		1,988	
Occupational Licenses		35	
Miscellaneous Income		3,085	
Deed Transfer Tax		9,736	
Delinquent Tax		116,803	1,381,152
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		4,302	
Real Estate Mortgages		11,168	
Chattel Mortgages and Financing Statements		22,963	
Powers of Attorney		510	
Affordable Housing Trust		8,718	
All Other Recordings		7,316	
Charges for Other Services-			
Candidate Filing Fees		20	
Postage		821	
Copywork		1,187	57,005
Interest Earned			215
Total Revenues			1,524,152

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY
 JERRY POWELL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 171,985

Usage Tax 352,922

Tangible Personal Property Tax 239,977

Licenses, Taxes, and Fees-

Delinquent Tax 9,848

Legal Process Tax 7,274

Candidate Filing Fees 8,718 \$ 790,724

Payments to Fiscal Court:

Tangible Personal Property Tax 42,856

Delinquent Tax 6,167

Deed Transfer Tax 9,249

Miscellaneous 27 58,299

Payments to Other Districts:

Tangible Personal Property Tax 323,211

Delinquent Tax 64,275 387,486

Payments to Sheriff 10,571

Payments to County Attorney 15,814

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 115,745

Contracted Services-

Microfilming & Indexing 10,513

Materials and Supplies-

Office Supplies 6,255

Other Charges-

Dues 980

Postage 5,169

Miscellaneous 7,454

Capital Outlay-

Office Equipment 30,225 176,341

Total Expenditures \$ 1,439,235

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY
JERRY POWELL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Net Revenues	\$ 84,917
Less: Statutory Maximum	<u>71,725</u>
Excess Fees	13,192
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for 2011	9,592
Payment to Fiscal Court - February 10, 2012	<u>9,592</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Trimble County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Trimble County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

TRIMBLE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2011
 (Continued)

Note 4. Grants

The Trimble County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in fiscal year 2010 in the amount of \$10,513 and a grant in the current year in the amount of \$1,590. Funds totaling \$10,513 were expended during the year. The unexpended grant balance was \$1,590 as of December 31, 2011.

Note 5. Lease

The Office of the County Clerk was committed to a lease agreement with Software Management for computer equipment and software. The outstanding balance as of December 31, 2011 is:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2011
Equipment/Software	\$ 3,406	60 Months	October 20, 2014	\$ 117,258

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy K. Stevens, Trimble County Judge/Executive
The Honorable Jerry Powell, Trimble County Clerk
Members of the Trimble County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Trimble County Clerk for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Trimble County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying comments and recommendations as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trimble County Clerk's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2011-02.

This report is intended solely for the information and use of management, the Trimble County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

May 11, 2012

COMMENTS AND RECOMMENDATIONS

TRIMBLE COUNTY
JERRY POWELL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2011

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY:

2011-01 The County Clerk's Office Does Not Use Timesheets To Calculate Payroll

While employees of the County Clerk's office prepare time cards, these time cards are not used to calculate payroll each pay period. Employees are paid the same amount every week, whether or not they work, essentially treating all staff as exempt salaried employees. We recommend the Clerk seek guidance from the Labor Cabinet's Wage and Hour Division as to whether these employees meet the criteria for exempt salaried employees. We further recommend that if the Clerk's treatment of staff as exempt salaried employees is incorrect, the Clerk implement payroll policies and procedures to correctly calculate payroll from timesheets and to award, accumulate, and use leave time appropriately.

County Clerk's Response: None.

STATE LAWS AND REGULATIONS:

2011-02 Deputy Salaries Should Be Set Annually By Fiscal Court

During our audit, we noted the County Clerk did not have the fiscal court fix the maximum amount the Clerk can expend for deputies. KRS 64.530(3) requires the fiscal court to set annually the maximum amount the clerk may spend for deputies. We recommend the Clerk ensure the fiscal court complies with KRS 64.530(3), with appropriate support documented in the fiscal court minutes.

County Clerk's Response: None.

